Trends in Environmental Marketing Claims Since the FTC Guides: Two-Year Auditing Results

As a result of increased use and occasional misuse of environmental marketing claims, the Federal Trade Commission issued guidelines in July 1992 and announced its intention to review these guides three years hence. This paper reports results of an audit of environmental claims conducted biannually in five locations since September 1992. The audit identifies claims found on labels of brands in sixteen supermarket product categories. The audit reveals important differences in claims across time and across and within product classes.

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Introduction

In July 28, 1992, the Federal Trade Commission (FTC) issued Guides for the Use of Environmental Marketing Claims. The Guides were designed to strike a balance between the need to rein in deceptive and trivial environmental claims without unnecessarily discouraging accurate and useful ones. At the time of adopting its environmental marketing guidelines, the FTC announced its intention to seek, after three years, "public comment on whether and how the guides need to be modified in light of ensuing development."

In anticipation of the FTC's intended review of the guides, a research project was undertaken to provide an "after-only" (Phillips and Calder, 1979) evaluation of the guides. This project, conceived as an audit of the frequency and content of environmental claims actually being made by sellers, has involved the collection of data at six-month intervals. This paper reports trends in the use of environmental claims between September, 1992, shortly after issuance of the FTC guides, and September, 1994, shortly before the expected FTC review of the guides.

Previous Research

In July, 1991, the FTC held hearings to determine whether any additional guidance was needed on the applicability of FTC's general policies on deception, advertising substantiation, and unfairness to environmental marketing claims in advertising and on labels. Although numerous parties testified at the two-day hearings, very little empirical research was presented. An exception was a presentation by University of Illinois researcher Brenda Cude (1991, 1993) on the ways in which consumers define and interpret the various terms contained in environmental claims (e.g., ozone friendly, biodegradable, recyclable). During the year between the FTC's hearings and the issuance of the guides, several additional studies were conducted or reported which clarified how consumers interpret environmental claims (AUS Consultants, 1991; COPPE, 1990; Mayer, Scammon, and Zick, 1992).

In addition to research on how consumers interpret the terms used in environmental claims, a few studies focused on the quality and prevalence of environmental claims. One study (Kangun, Carlson, and Grove, 1991; Carlson, Grove, and Kangun, 1993) drew a sample of claims used in magazine advertising and scrutinized the claims for ambiguity, important omissions, and false statements. Another study (Abt, 1993) used nationwide Productscan data on new product introductions to gauge the frequency of various claims on the labels of consumer packaged goods (e.g., foods, health and beauty items, laundry and cleaning products). This study has shown that in both 1992 and 1993, approximately 13% of all new product introductions of packaged goods involved some type of environmental claim (Green MarketAlert 1993). Despite the wide geographical and product class coverage of this study, it uses a broad definition of environmental claims that includes some health claims and energy savings claims, contains no information on the precise wording or placement of claims, contains no data on environmental symbols or certifications, and, of course, is confined to new products (or major product reformulations).

The study reported in this paper builds on the research on the claims themselves, not consumer interpretation of them. It reports the frequency and content of claims on the packages of non-durable consumer goods. The study addresses the quality of environmental claims by analyzing the use of certain suspect terms (e.g., overly broad terms such as "environmentally friendly" or inadequately qualified terms such as "recyclable"), but no attempt is made to test the actual attributes of products (e.g., whether an item claiming to contain 35% post-consumer recycled content actually has that level of content).

Study Design and Data Collection

The study described here involves auditing claims of all brands in sixteen commonly purchased categories of non-durable goods found in supermarkets. Audits were conducted at six month intervals, beginning in September of 1992. The sixteen product categories include aerosol shaving creams, spray and pump deodorants, tampons, laundry detergents, liquid dish detergents, fabric softener, plastic kitchen trash bags, bathroom tissue, AA batteries, disposable diapers, juices, fresh milk, coffee filters, soda bottles, frozen multi-course TV dinners, and cold breakfast cereals. Audits were conducted in one large, high volume supermarket in each of five strategically selected locations: New York City, NY; Champaign-Urbana, IL; Salt Lake City, UT; San Diego, CA; and Corvallis, OR.

A fuller description of the study's methods, strengths, and limitations can be found in Mayer, Scammon, and Gray-Lee (1993). Foremost among the study's strengths are its multiple and strategically selected sites, focus on new and traditional brands, restricted definition of an environmental claim, and high level of detail on each claim. The study's major limitations include an exclusive focus on non-durable consumer goods and its lack of strict generalizability across all non-durable goods and all national market. Furthermore, the study suffers from all the threats to internal validity of an after-only evaluation design, especially the inability to separate the effects of the guides from those of state regulations (Gray-Lee, Scammon, and Mayer, 1994) and case-by-case challenges to claims by regulatory and self-regulatory bodies (Scammon and Mayer, in press).

For each brand within each of the sixteen product classes auditors recorded the presence or absence of explicit or implied environmental claims, the text and placement of the claims, use of associated symbols or seals of approval, the referent of the claim (product, package) and the material to which the claim applied. The claims analyzed were those both general in nature (e.g., "environmentally friendly") and referring to specific brand attributes like recyclability, recycled content, degradability, source reduction, toxicity, and ozone depletion.

Data from the five sites were compiled and transferred to a single data base to allow analysis. Because auditors were instructed to favor detail over classification simplicity, each new wave allowed us to develop an increasingly precise and informative scheme for classifying the full range of claims found. For example, after the first audit the data revealed six different variants of mobiüs loops. These variants were defined and used as codes for future data collection. Subsequent audits revealed two additional variants sufficiently different from the original six to justify receiving their own codes. Thus, the classification scheme used to analyze the data evolved with each wave producing a highly detailed data base of environmental claims for brands within the audit.

The data base now holds, for each brand at a given location and wave, information regarding the presence or absence of a particular claim, whether it refers to the package and/or product, the material to which the claim applies, the specific wording and placement of the claim, the nature of any qualifications, and the type of mobiüs loop or other symbols present (if any). The claims in the data base range from very specific, such as the percentage of post-consumer recycled content, to more general, such as a manufacturer's claim of a long standing commitment to the environment.

Results

To date, five rounds of data have been collected and incorporated into the data base. For ease of presentation, this paper reports the results from the first (autumn 1992), third (autumn 1993), and fifth (autumn 1994) audits.

General Results

Table 1 presents a broad overview of the results. The number of unique brand/category combinations increased by 14.6% (from 349 to 400), primarily due to the introduction of additional types of containers in the laundry detergent category. Yet, the overall rate of brand/category combinations with an environmental claim increased even more rapidly, by 42.6%. Given that some brands made both product and package claims, the overall number of product or package claims increased even faster, by 46.2%. Claims became more prominent as well as more frequent; claims on the front of packages increased by 36.2%. At the very

least then, it appears that the FTC Guides have not had a chilling effect on the propensity of marketers to make environmental claims.

Table 1:
Summary of Audit Results.

	Audit #1 '92	#3 '93	#5 '94
Claims Information			
Brand/Category Combos	349	396	400
Brand/Category Combos with Product or Package Claim	183	241	261
Product Claims	108	150	159
Package Claims	133	170	190
Front of Package Claims	58	73	79
Recycled Content Claims	77	105	117
Recyclability Claims	75	88	94
Source Reduction Claims	24	50	60
Degradability Claims	58	88	99
Toxin Claims	86	121	127
Ozone Claims	11	13	8
General Claims	8	10	15
Brand Name Claims	13	15	14
Certifications/Standards	8	10	10
Company Commitment Claims	8	24	23

Among the various types of claims, the rate of increase was most pronounced for source reduction claims and company commitment claims (e.g., "We care about the environment"). The number of brand name and certification/standard claims (e.g., environmental seals of approval) remained essentially unchanged, while ozone claims were the only category to decline in frequency.

The overall increase in environmental claims masks a variety of patterns within product categories (data not shown). For some categories (plastic kitchen trash bags, disposable diapers, and coffee filters) the audits have revealed reductions in the number of claims. In other categories, the audit reveals little or no change (cold cereals, juices in glass containers, batteries) or increases (laundry detergents, liquid dish soaps, tampons). Several product categories remain almost devoid of claims (TV dinners, fresh milk, juices in aseptic containers), while others abound in them (laundry detergents).

In some product categories the audit reveals extensive variation in the number and types of claims made with a few brands positioning themselves as "the" environmental alternative (plastic trash bags, tampons, bathroom tissue), while in others categories there seems to be little variation in the language used to make claims, suggesting a more defensive, "me-too" orientation (shaving cream products, cold breakfast cereals, plastic soda bottles, glass juice containers).

Specific Types of Claims

With respect to recycled content claims, the most important finding is their increasing specificity (see Table 2). The percentage of claims specifying an exact percentage of recycled content increased from 48.1% (39 of 81) to 82.8% (96 of 116). Moreover, the percentage of claims making reference to a specific percentage of post-consumer content increased from 34.6 to 75.9%. This is especially interesting in light of the fact that the FTC Guides do not require sellers to differentiate pre- and post-consumer recycled content.

Table 2
Recycled Content Claims.

	Audit #1 `92	#3 `93	#5 `94
Claims Information			
Number of Claims	81	109	116
Brand/Categories with Recycled Content Claims	77	105	112
Product Claims	8	11	9
Package Claims	73	98	106
Claims with % Recycled Content	39	72	96
Claims with % Post-Consumer	28	66	88
Claims with Mobius Loop or Other Symbol	56	85	82

The picture of compliance with the FTC Guides is less rosy in the case of recyclability claims (see Table 3). Recyclability claims increased modestly between the first and fifth audit (see table 3). We divided these claims between exhortation (e.g., "please recycle") and information (e.g., "recyclable container"). Virtually all of the increase occurred in the exhortation category, perhaps because telling consumers that they should recycle is less committal than saying they can recycle. Regardless of whether recyclability claims involve exhortation or information, these claims are not well qualified. The FTC guidelines state that "Claims of recyclability should be

Table 3
Recyclability Claims.

	Audit #1 '92	#3 '93	#5 '94
Claims Information			
Number of Claims	75	96	97
Product Claims	1	1	1
Package Claims	74	95	96
Exhortations	45	59	60
Qualified Exhortations	3	6	4
Information	42	47	45
Qualified Information	6	8	5
Exhortation & Info.	17	16	13
Recyclability & Symbol	37	58	66
Symbol Without Text	6	6	5

qualified to the extent necessary to avoid consumer deception about any limited availability of recycling programs and collection sites." The guidelines indicate that recyclability should be qualified unless facilities are available to a "substantial majority of consumers or communities" (a condition that is not met for most materials). Only about 10% of recyclability claims are qualified at all, and most of these qualifications are much weaker than those suggested by the FTC.

Source reduction claims represent a success story in terms of their increased frequency and specificity. The percentage of source reduction with a specific point of reference (e.g., compared to the previous container, conventional containers, or another type of packaging) increased from 12.5% in the first audit to 38.0% in the third audit to 50.0% in the fifth audit. While there is still room for improvement, this represents substantial progress toward the FTC's guideline of qualifying these claims with information "about the amount of the source reduction and about the basis for any comparison asserted."

Degradability claims for plastic products, especially trash bags and shopping bags, were an early concern of regulators, but such claims have virtually disappeared from the marketplace. With only a few exceptions, most degradability claims in our study refer to the biodegradability of detergents and dish soaps. In the fifth audit, only five degradability claims fell outside these two product categories: tampons (5), toilet paper (3), and plastic trash bag (1).

A similar situation exists with respect to toxicity claims. While there are a large number of such claims, the majority refer to the absence of phosphates, phosphorous, bleach, and/or dyes in laundry detergents. There are several other toxicity claims, however, referring to the absence of mercury, cadmium, heavy metals, bleach, chlorine, nitrates, or enzymes and the presence of soy inks and organic ingredients.

Whereas toxicity claims have not been problematic to the various regulators of environmental claims, ozone-related claims have. Perhaps it is not surprising then that ozone claims are small in absolute number and declining. Most of these claims consist of the true but vacuous claim (because they have been banned for more than a decade) of "No CFCs" or "No Chlorofluorocarbons." Two brands of deodorants refer to the fact that their propellants "meet California VOC limits." VOCs refer to volatile organic compounds which, while harmless to the earth's ozone layer, can cause ground-level pollution. This is the only instance in our study where an environmental claim makes explicit reference to a state-level standard. By the same token, there was little evidence that environmental claims vary by geographical location in response to state differences in regulations concerning environmental claims.

General claims such as "environmentally friendly" or "eco-safe" should be avoided or qualified, according to the FTC guidelines. In our study, there was a small but growing number of such claims. Examples included "environmentally friendly," "environmentally safe," "environmentally safer," "environmentally smart," "environmentally sound," "Safe for You and the Environment," "Respect for the Environment," and "Natural Choice." Most of these claims were qualified somewhere on the package, but few of these qualifications were conspicuous or in close proximity to the general claim. Whereas the FTC Guides do not specify the nature of appropriate qualification, it is interesting to note that Norwegian guidelines state that general claims should be accompanied by "explanatory text shall be provided with the [general] words in which the actual benefits to the environment are described." Of course, "in conjunction" is open to various interpretations.

Brand names containing words like "Enviro," "Eco," and "Natural" may be considered general environmental claims, although no mention of such names is made in the FTC guidelines. Most of these names are qualified by an additional, specific environmental claim on the product package, but the question remains of whether such brand names connote general (or lifecycle) environmental superiority. (In the related area of nutrition labeling, the government has set specific rules for the use of terms such as "healthy" in brand names.)

To increase credibility, environmental marketing claims may include a reference to an authoritative body. This body may be governmental, non-profit, or self-regulatory. In Europe, Scandinavia, and Canada, for example, it is increasingly common for sellers to apply and pay for the right to use an environmental seal of approval. In the United States, there are two such seals, Green Cross and Green Seal, although they are found on only a few products at present.

In our audit study, we found a small but diverse set of appeals to authority. In addition to the Green Cross, these appeals referred to the federal government (e.g., the Environmental Protection Agency's Integrated Waste Management Guidelines: U.S.D.A. regulations for inks), state government (e.g., California VOC Limits; California Organic Food Standards), industry (e.g., "ultra low industry standard" for toxic substances in batteries), and private organizations (e.g., Good Housekeeping Seal). Nevertheless, references to certifying and standard-setting bodies are rare within environmental claims, perhaps explaining the absence of any reference

to this type of claim in the FTC Guides. If the use of certifications and standards increases in the future, it will be important to know whether this use complements or substitutes for more traditional environmental marketing claims.

Conclusions

The FTC Guides issued in 1992 encouraged marketers to make their environmental claims more specific and more meaningful, and substantial progress has been made since then. Whereas the credit for progress must be shared with state-level authorities and self-regulatory bodies, the FTC can take pride in several areas. First, there was some fear that even voluntary guidelines might discourage sellers from make environmental claims, but claims increased in both frequency and prominence in the post-Guides period. Second, source reduction and recycled content claims have increased dramatically in number and specificity. In the case of recycled content claims, firms are typically going beyond the FTC Guides by distinguish pre-consumer from post-consumer content. Third, some of the more problematic types of environmental claims--general claims, brand-name claims, degradability of plastic claims, and ozone claims--have either decreased in frequency or remained at very low levels.

Despite the improvements that have occurred, several problem areas still exist. Most notably, recyclability claims are poorly qualified. If anything, sellers are moving away from qualification by increasing their reliance on exhortations to recycle relative to information about the availability of recycling facilities. Whereas it is understandable that sellers would want to "fudge" their claims in light of the rapidly changing status of recycling facilities, the vast majority of recyclability claims suggest that recycling is unproblematic.

There are also several issues regarding environmental claims that were sidestepped by the FTC Guides but which may become important in the future. One of these issues involves the use of seals of approval and other forms of certification. While claims making reference to authoritative bodies remain rare in the United States, these claims vary widely in terms of the stringency of the standards involved. Consumers may be easily confused if claims refer to a multiplicity of authorities. Similarly, the marketplace is a Towel of Babel they when it comes to environmental symbols. The mobiüs loop is used in a highly inconsistent and unqualified fashion. In addition, several companies and industries use their own environmental symbols. All of this leaves consumers potentially confused and/or cynical.

A final issue left unresolved by the FTC Guides concerns the materiality or substantiality of claims. The FTC Guides do state that marketers "should avoid implications of significant environmental benefits if the benefit is in fact negligible." Nevertheless, many existing claims may fail this test. Certainly, many recyclability claims fail to insure a high probability that an item can be recycled. "No CFCs" claims imply unique when none exist and may deflect attention from other environment-threatening propellants. This issue of materiality is only likely to become more complicated when firms begin to make claims about a brand's lifecycle environmental impacts.

In sum, the FTC Guides seem to have had some of their intended effects, but it is not known how the effectiveness of the U.S. guidelines compares to those promulgated in countries such as the Canada, the Netherlands, and Norway. Among these various sets of guidelines, the FTC version is among the most lenient toward sellers and most narrow in focus. Comparative study is needed to determine whether guidelines should be stronger or weaker, more expansive or more limited, than in the United States.

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Endnotes

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